

Access One, Inc.

**Exhibit F**  
**Financial Qualifications**

|||||

0630/15/M/9300/00/R

ACCESS ONE INCORPORATED  
125 N HALSTED ST  
CHICAGO, IL 60661-2101

**ACCOUNT SUMMARY**

| Account Type        | Account Number | Ending Balance |
|---------------------|----------------|----------------|
| COMMERCIAL CHECKING | 5300010928     | 245,840.69     |

**COMMERCIAL CHECKING ACCOUNT 5300010928**

ACCESS ONE INCORPORATED

Statement Period: 06/01/2000 through 06/30/2000

|                            |                   |
|----------------------------|-------------------|
| Last Statement Balance     | 204,771.79        |
| Deposits and other Credits | 596,845.30        |
| Withdrawals and Checks     | <u>555,776.40</u> |
| Ending Balance             | 245,840.69        |

**DAILY BALANCE SUMMARY**

| Date  | Deposits and Other Credits | Withdrawals | Checks    | Ending Balance |
|-------|----------------------------|-------------|-----------|----------------|
| 06-01 | 17,995.95                  | 58.71       | 30,377.60 | 192,331.43     |
| 06-02 | 10,804.85                  | 139.00      | 2,904.52  | 200,092.76     |
| 06-05 | 85,889.07                  | 0.00        | 11,971.32 | 274,010.51     |
| 06-06 | 21,209.23                  | 621.66      | 7,896.12  | 286,701.96     |
| 06-07 | 3,444.39                   | 50.39       | 6,367.03  | 283,728.93     |
| 06-08 | 6,898.92                   | 55,909.01   | 1,930.83  | 232,788.01     |
| 06-09 | 48,818.30                  | 0.00        | 2,518.66  | 279,087.65     |
| 06-12 | 3,740.52                   | 0.00        | 3,187.71  | 279,640.46     |
| 06-13 | 7,092.54                   | 0.00        | 148.54    | 286,584.46     |
| 06-14 | 0.00                       | 19,532.27   | 11,570.18 | 255,482.01     |
| 06-15 | 14,532.39                  | 0.00        | 1,027.55  | 268,986.85     |
| 06-16 | 9,076.19                   | 0.00        | 1,389.86  | 276,673.18     |
| 06-19 | 21,829.95                  | 0.00        | 972.18    | 297,530.95     |

**ACCESS ONE, INC.**

**FINANCIAL STATEMENTS AND  
ACCOUNTANTS' COMPILATION REPORT**

**YEAR ENDED DECEMBER 31, 1999**

## ACCESS ONE, INC.

Year Ended December 31, 1999

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*Continuing Service / Access to the Public / Continued Service for Business*

Board of Directors  
Access One, Inc.  
Chicago, Illinois

We have compiled the accompanying balance sheet of **ACCESS ONE, INC.** as of December 31, 1999, the related statements of income and retained earnings and cash flows for the year then ended, and the accompanying supplemental schedule of operating expenses, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements and supplemental schedules, information that is the representation of management. We have not audited or reviewed the accompanying financial statements or supplemental schedules and, accordingly, do not express an opinion or any other form of assurance on them.

*Blackman Kallick Bartelstein, LLP*

March 16, 2000

A member of the **LLP** network

Blackman Kallick Bartelstein, LLP

300 South Riverside Plaza, Chicago, Illinois 60606-6613 (312) 207-1000 Fax (312) 207-1000 [www.lkbp.com](http://www.lkbp.com)

## ACCESS ONE, INC.

## Balance Sheet

December 31, 1999

ASSETS (Note 5)**Current Assets**

|                        |               |
|------------------------|---------------|
| Cash (Note 1)          | \$ 3,837      |
| Receivables            |               |
| Customers              | 290,688       |
| Commissions            | 53,505        |
| Stockholders (Note 11) | <u>61,257</u> |
| Total Current Assets   | 409,287       |

**Furniture and Equipment** (Net of accumulated depreciation) (Notes 1, 3 and 6)

37,825

**Deferred Line Installation Costs** (Net of accumulated amortization) (Notes 1 and 4)

18,090\$ 465,202

See accountants' compilation report  
The accompanying notes are an integral part of the financial statements.

## EXHIBIT A

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**LIABILITIES AND STOCKHOLDERS' EQUITY****Current Liabilities**

|  |            |
|--|------------|
| Accounts payable                                       | \$ 209,185 |
| Customer deposits                                      | 20,518     |
| Short-term borrowings - Bank (Note 5)                  | 35,000     |
| Capital lease obligations due within one year (Note 6) | 16,088     |
| Sales tax payable and other                            | 77,870     |

Total Current Liabilities 358,661

**Capital Lease Obligations (Net of portion included in current liabilities) (Note 6)**

28,885

Total Liabilities 387,546

**Stockholders' Equity**

|   |        |
|---|--------|
| Common stock - No par value; authorized -<br>10,000 shares; issued - 900 shares | 1,000  |
| Retained earnings (Exhibit B)   | 76,656 |

Total Stockholders' Equity 77,656

\$ 465,202

EXHIBIT B**ACCESS ONE, INC.****Statement of Income and Retained Earnings****Year Ended December 31, 1999**


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|   |                         |                     |
|---|-------------------------|---------------------|
| <b>Net Sales</b>                                  | <b>\$ 3,201,751</b>     | <b>100.00%</b>      |
| <b>Cost of Sales</b>                              | <b><u>2,180,467</u></b> | <b><u>68.10</u></b> |
| <b>Gross Profit</b>                               | <b>1,021,284</b>        | <b>31.90</b>        |
| <b>Operating Expenses</b>                         | <b><u>957,730</u></b>   | <b><u>29.91</u></b> |
| <b>Income from Operations</b>                     | <b>63,554</b>           | <b>1.99</b>         |
| <b>Interest Expense, Net</b>                      | <b><u>6,680</u></b>     | <b><u>.21</u></b>   |
| <b>Net Income</b>                                 | <b>56,874</b>           | <b><u>1.78%</u></b> |
| <b>Retained Earnings, Beginning of Year</b>       | <b>108,882</b>          |                     |
| <b>Less Dividends Declared</b>                    | <b><u>(89,100)</u></b>  |                     |
| <b>Retained Earnings, End of Year (Exhibit A)</b> | <b><u>\$ 76,656</u></b> |                     |

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See accountants' compilation report.

The accompanying notes are an integral part of the financial statements.



EXHIBIT C**ACCESS ONE, INC.****Statement of Cash Flows****Year Ended December 31, 1999**

|  |           |
|--|-----------|
| <b>Cash Flows from Operating Activities</b>                                      |           |
| Net income   | \$ 56,874 |
| Adjustments to reconcile net income to net cash provided by operating activities |           |
| Depreciation and amortization  | 15,347    |
| Amortization of deferred line installation costs                                 | 3,107     |
| Increase in receivables  | (66,862)  |
| Increase in  |           |
| Accounts payable   | 92,523    |
| Customer deposits  | 20,518    |
| Accrued expenses   | 44,682    |
| Total Adjustments  | 109,315   |
| Net Cash Provided by Operating Activities  | 166,189   |
| <b>Cash Flows from Investing Activities</b>                                      |           |
| Capital expenditures   | (10,002)  |
| Deferred line installation costs   | (21,197)  |
| Net advances to stockholders   | (45,378)  |
| Net Cash Used in Investing Activities  | (76,577)  |
| <b>Cash Flows from Financing Activities</b>                                      |           |
| Principal payments on capital lease obligations                                  | (14,660)  |
| Payment of dividends   | (89,100)  |
| Net Cash Used in Financing Activities  | (103,760) |
| Net Decrease in Cash   | (14,148)  |
| Cash, Beginning of Year  | 17,985    |
| Cash, End of Year  | \$ 3,837  |

**Noncash Investing and Financing Activities and Other Cash Flow Information:**

During 1999, \$28,221 of loans payable to stockholders were offset against loans receivable from stockholders. Also, interest payments approximated interest expense.

See accountants' compilation report.

The accompanying notes are an integral part of the financial statements.

## ACCESS ONE, INC.

## Notes to Financial Statements

Year Ended December 31, 1999

**NOTE 2 - NATURE OF OPERATIONS**

Access One, Inc. provides local and long distance telecommunications services to its customers located throughout the United States. The company was incorporated June 30, 1993 in the state of Illinois.

In the year 2000, the company intends to roll out local service in 15 new markets. The services will be offered as a "bundled" product available to both new and existing customers. Also in the first quarter of 2000, the company will offer dedicated Internet, DSL, and Web hosting services in 25 markets. Management anticipates that high-speed Internet and Web hosting will be a significant part of the future revenue stream. The company's competitive strength will be in its ability to successfully "bundle" these services under one bill more effectively than its competitors. Additional markets are expected to be opened to provide both local and Internet service during the remainder of 2000.

**NOTE 3 - FURNITURE AND EQUIPMENT**

|   |                  |
|---|------------------|
| Computer equipment                              | \$ 26,505        |
| Furniture and equipment<br>under capital leases | <u>64,158</u>    |
|   | 90,663           |
| Accumulated depreciation                        | <u>(52,838)</u>  |
|   | <u>\$ 37,825</u> |

Accumulated depreciation for furniture and equipment under capital leases was \$34,334 as of December 31, 1999.

**NOTE 4 - DEFERRED LINE INSTALLATION COSTS**

|                             |                  |
|-----------------------------|------------------|
| New line connection charges | \$ 21,197        |
| Accumulated amortization    | <u>(3,107)</u>   |
|                             | <u>\$ 18,090</u> |

See accountants' compilation report.

## ACCESS ONE, INC.

## Notes to Financial Statements

Year Ended December 31, 1999

**NOTE 5 - SHORT-TERM BORROWINGS - BANK**

As of December 31, 1999, the company was obligated under a line of credit with American National Bank for \$35,000. Borrowings under this line of credit bear interest at the prime rate and are secured by the company's assets. Additionally, certain conditions stipulated in the borrowing agreement relating to the maintenance of net working capital and the payment of the officers' salaries and dividends must be met on continuing basis. As of December 31, 1999, maximum additional available borrowings on this line of credit were \$165,000. The agreement is payable on demand. The stockholders have personally guaranteed any borrowing under this line of credit.

**NOTE 6 - OBLIGATIONS UNDER CAPITAL LEASES**

Obligations under capital leases consists of the following

|   |                  |
|---|------------------|
| Capital lease obligation, payable in monthly installments of \$1,446.90, including interest at an annual rate of 9.027%, due September 30, 2002; secured by certain furniture and equipment | \$ 42,344        |
| Capital lease obligation, payable in monthly installments of \$175.50, including interest at an annual rate of 15.695%, due April 1, 2001; secured by certain equipment                     | 2,629            |
| Total obligations under capital leases  | 44,973           |
| Less current maturities   | (16,088)         |
|   | <u>\$ 28,885</u> |

See accountants' compilation report.

**ACCESS ONE, INC.****Notes to Financial Statements****Year Ended December 31, 1999****NOTE 6 - OBLIGATIONS UNDER CAPITAL LEASES (Continued)**

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 1999:

|   |                  |
|---|------------------|
| Year Ending December 31:                    |                  |
| 2000  | \$ 19,468        |
| 2001  | 18,177           |
| 2002  | <u>13,022</u>    |
| Total Minimum Lease Payments                | 50,667           |
| Less amount representing interest           | <u>(5,694)</u>   |
| Present Value of Net Minimum Lease Payments | <u>\$ 44,973</u> |

**NOTE 7 - INCOME TAXES**

The company has elected to be taxed as an S corporation under provisions of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect income taxes, except for state replacement tax.

**NOTE 8 - OPERATING LEASES**

The company leases its Chicago facilities in accordance with the terms of an operating lease, expiring July 31, 2003. The current monthly base rent is \$3,928, which increases 3% each July 31. The company is responsible for its proportionate share of real estate taxes, insurance and other operating expenses of the building. The company leases office space in California in accordance with terms of an operating lease, expiring January 31, 2000, but automatically renews each year. The current monthly base rent is \$1,394, which increases 6% each January 31. Total rental expense charged to operations amounted to \$69,628 in 1999.

See accountants' compilation report.

**ACCESS ONE, INC.****Notes to Financial Statements****Year Ended December 31, 1999****NOTE 8 - OPERATING LEASES (Continued)**

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year, as of December 31, 1999:

| Year Ending December 31:        |                   |
|---------------------------------|-------------------|
| 2000                            | \$ 61,202         |
| 2001                            | 50,264            |
| 2002                            | 50,639            |
| 2003                            | <u>30,050</u>     |
| Total Minimum Payments Required | <u>\$ 192,155</u> |

**NOTE 9 - COMMITMENTS**

The company and the stockholders have entered into an agreement for the right of first refusal or an option to purchase shares of the company stock, based upon certain events as stated in the Shareholders Agreement.

**NOTE 10 - EMPLOYEE BENEFIT PLAN**

The company sponsors a 401(k) plan. All employees are eligible after reaching the age of 21 and completing six months of service. The company matches employee contributions at a rate of 40% on the first 5% of the compensation contributed by the employee. Total contributions amounted to \$8,504 in 1999.

See accountants' compilation report.

**ACCESS ONE, INC.****Notes to Financial Statements****Year Ended December 31, 1999**

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**NOTE 11 - RELATED PARTY**

As of December 31, 1999, the company had stockholder loans receivable totaling \$61,257. These loans are noninterest-bearing and payable upon demand.

**NOTE 12 - RECLASSIFICATION**

For comparability, the 1998 financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used in 1999.

See accountants' compilation report.

Schedule B-1

## ACCESS ONE, INC.

## Operating Expenses

Year Ended December 31, 1999

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|                               |            |
|-------------------------------|------------|
| Salaries                      | \$ 213,889 |
| Officers' salaries            | 241,492    |
| Auto                          | 5,358      |
| Depreciation and amortization | 18,454     |
| Dues and subscriptions        | 4,744      |
| Utilities                     | 7,538      |
| Insurance                     |            |
| Employee group                | 25,644     |
| General                       | 4,666      |
| Officer life                  | 3,885      |
| 401(k) contributions          | 8,504      |
| Professional fees             | 96,667     |
| Miscellaneous                 | 4,661      |
| Office                        | 53,372     |
| Outside services              | 42,607     |
| Payroll fees                  | 3,746      |
| Rent and occupancy            | 69,628     |
| Repairs and maintenance       | 5,675      |
| Supplies                      | 6,823      |
| Taxes - Payroll               | 48,779     |
| Telephone                     | 59,406     |
| Travel                        | 17,492     |
| Meals and entertainment       | 14,695     |
|                               | <hr/>      |
| Total                         | \$ 957,730 |

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See accountants' compilation report regarding supplemental information.